

TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Jeff Robinson and Shawn Snyder

DATE: April 1, 2014

Monthly General Fund Receipts through March 31, 2014

The attached spreadsheet presents FY 2014 General Fund total net receipts with comparable figures for actual FY 2013. The figures can be compared to the FY 2014 estimate of \$6.476 billion set by the Revenue Estimating Conference (REC) on March 20, 2014. The FY 2014 estimate is a decrease of \$176.0 million (-2.6%) compared to actual FY 2013 total net receipts (excludes transfers). The next REC meeting has not been scheduled.

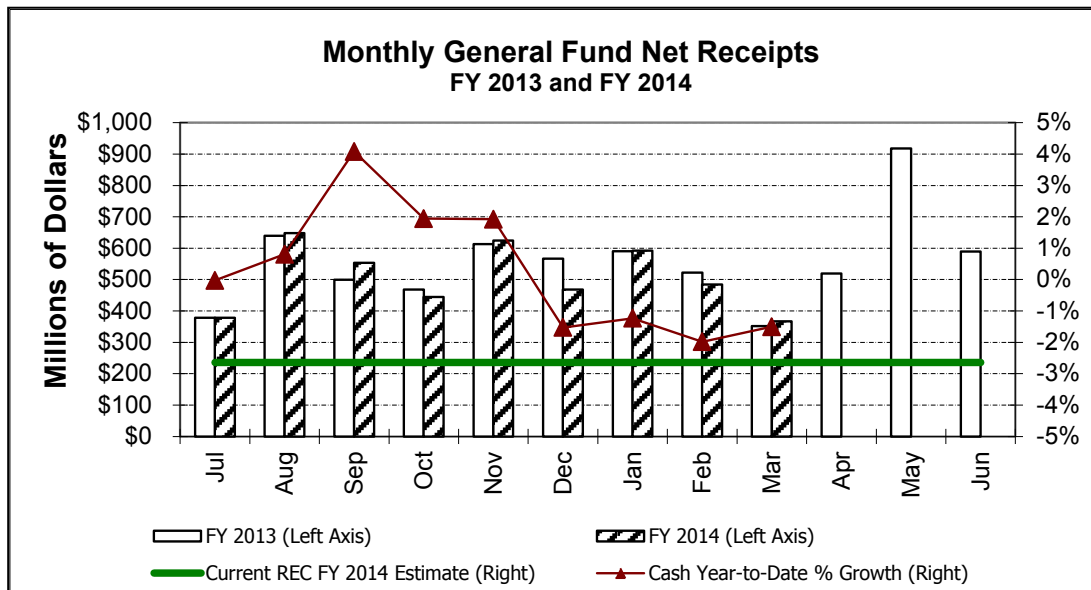
FY 2014 Monthly Estimate Comparison - Dollars in Millions						
Most Recent REC Projected Growth for the Year, Excluding Transfers = -2.6%						
Year-to- Date Ending:	Year-to- Date FY 2013	Year-to- Date FY 2014	Dollar Change	% Change	Year-to-Date Change at REC Estimate for the Entire Year	Year-to-Date Above (Below) Estimated Change
July	\$378.2	\$378.2	\$0.0	0.0%	-\$10.0	\$10.0
Aug	1,017.8	1,026.1	8.3	0.8%	-26.9	35.2
Sept	1,517.2	1,579.2	62.0	4.1%	-40.1	102.1
Oct	1,985.1	2,024.0	38.9	2.0%	-52.5	91.4
Nov	2,597.7	2,647.9	50.2	1.9%	-68.7	118.9
Dec	3,164.2	3,115.9	-48.3	-1.5%	-83.7	35.4
Jan	3,754.4	3,708.0	-46.4	-1.2%	-99.3	52.9
Feb	4,276.3	4,191.8	-84.5	-2.0%	-113.1	28.6
Mar	4,628.3	4,558.9	-69.4	-1.5%	-122.5	53.1
Apr	5,147.6					
May	6,065.5					
June	6,654.9					
Year end	6,651.8					

Overview of Current Situation

March 2014 net General Fund revenue was \$15.0 million (4.3%) above the March 2013 revenue level. Year-to-date net tax receipts are \$69.4 million (-1.5%) less than FY 2013. Major sources of tax revenue and their contribution to the FY 2014 change include:

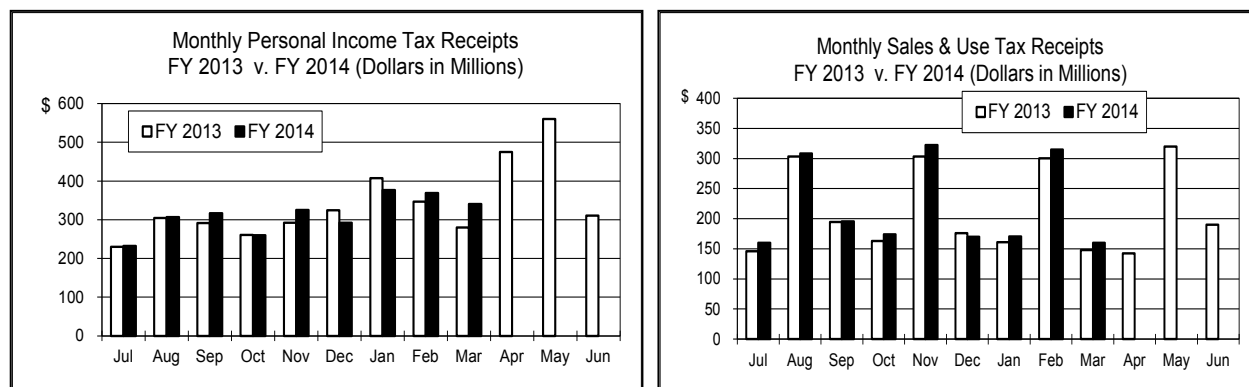
- Personal income tax (positive \$81.1 million, 3.0%)
- Sales/use tax (positive \$79.7 million, 4.2%)

- Corporate tax (positive \$18.3 million, 5.0%)
- Other taxes (negative \$56.2 million, -24.8%)
- Other receipts (negative \$36.9 million, -14.9%)
- Tax refunds not including school infrastructure refunds (negative \$121.6 million)
- School infrastructure sales/use tax refunds (negative \$34.1 million)



Personal Income Tax revenue received in March totaled \$340.4 million, an increase of \$60.3 million (21.5%) compared to March 2013. March 2014 monthly comparisons were positively impacted this year by approximately \$70.0 million due to last year's filing delay for farm income tax returns (normally due March 1, but due April 15 last year). This impact will reverse in April.

The FY 2014 REC income tax estimate of \$4.043 billion represents a projected decrease of 1.0% compared to actual FY 2013. Through March, personal income tax receipts have increased \$81.1 million (3.0%). By subcategory, withholding payments increased \$62.8 million (2.8%), estimate payments decreased \$35.6 million (-9.5%), and payments with returns increased \$53.9 million (50.8%). The following chart compares FY 2014 monthly income tax receipts from the three personal income tax subcategories with FY 2013.



Sales/Use Tax receipts received in March totaled \$160.0 million, an increase of \$11.9 million (8.0%) compared to March 2013.

The REC estimate for FY 2014 sales/use tax receipts is \$2.650 billion, an increase of 4.0% compared to actual FY 2013. Year-to-date sales/use tax receipts total \$1,975.1 million, an increase of \$79.7 million (4.2%) compared to FY 2013. The preceding chart compares FY 2014 monthly sales/use tax receipts with FY 2013.

Corporate Tax receipts received in March totaled \$50.3 million, a decrease of \$3.4 million (-6.3%) compared to March 2013.

The REC estimate for FY 2014 corporate tax revenue is \$585.5 million, an increase of 5.4% compared to actual FY 2013. Through March, corporate tax receipts have increased \$18.3 million (5.0%).

Other tax receipts received in March totaled \$19.7 million, a decrease of \$26.5 million (-57.4%) compared to March 2013. Other tax receipts will be negatively impacted by the law change that requires all cigarette and tobacco tax to be deposited in the Health Care Trust Fund (HCTF) for the remainder of the fiscal year.

The REC estimate for FY 2014 other tax revenue is \$260.3 million, a decrease of 30.0% compared to actual FY 2013. Through March, other tax receipts have decreased 24.8%.

Other receipts (nontax receipts) received in March totaled \$23.6 million, an increase of \$4.0 million (20.4%) compared to March 2013.

The REC estimate for FY 2014 other receipts revenue is \$277.8 million, a decrease of 15.8% compared to actual FY 2013. Year-to-date other receipts have decreased 14.9%.

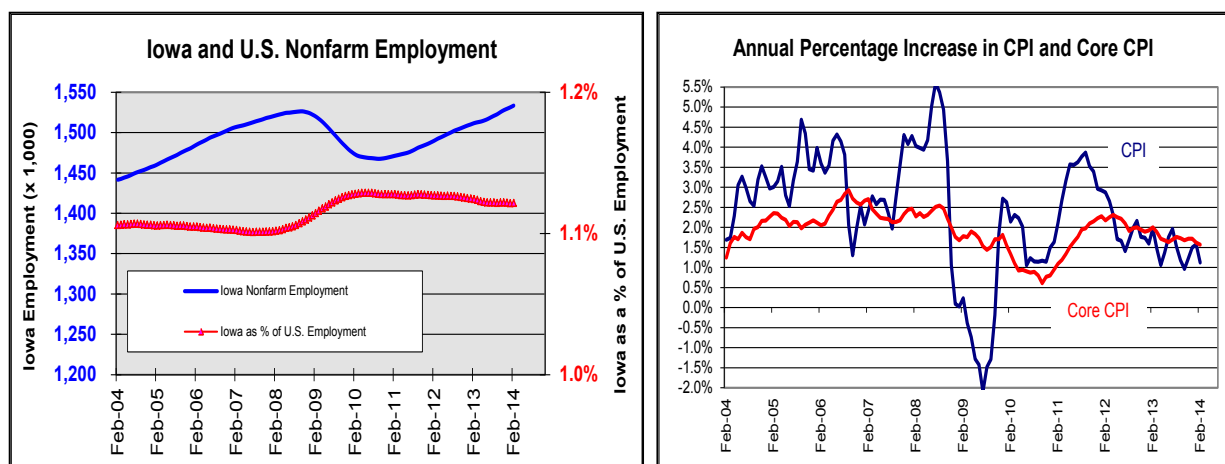
Tax Refunds issued in March totaled \$194.9 million, an increase of \$28.2 million (16.9%) compared to March 2013. In addition, school infrastructure refunds totaled \$32.3 million, an increase of \$3.4 million compared to March 2013.

Status of the Economy

Iowa nonfarm employment was reported at 1,518,400 for the month of February 2014 (not seasonally adjusted), 25,100 higher (1.7%) than February 2013.

Iowa's 12-month average employment is presented as the blue line on the following graph. Iowa's average nonfarm employment peaked in October 2008 at 1,526,400, and was 47,700 above the peak prior to the previous recession (January 2001). The current 12-month average reading is now 1,533,500, resulting in an annual average Iowa nonfarm employment level 7,200 jobs above the October 2008 peak.

The employment chart also presents Iowa nonfarm employment as a percent of U.S. nonfarm employment. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002, decreased at a much slower pace from 2002 through 2007, and increased from January 2008 through June 2010. Since that time, Iowa's percent of U.S. employment has declined as the percentage growth in U.S. employment has exceeded the percentage growth in Iowa employment.



The Consumer Price Index (CPI-U) through February 2014 was 234.8 (1983/84=100). Consumer prices increased 0.37% in February (not seasonally adjusted) and the annual rate of inflation decreased to 1.1% from the previous month's level of 1.6%.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.3% in February and totaled 1.6% year-over-year. The annual rate of core inflation has been at or below 2.0% since July 2012. For the two components excluded from the core rate, energy prices are down 2.5% year-over-year while food prices were up 1.4%.

Information related to State General Fund receipts is available on the Fiscal Services Division website at: <https://www.legis.iowa.gov/publications/fiscal/dailyReceipts>.

GENERAL FUND RECEIPTS - FY 2013 vs. FY 2014 July 1 through March 31 (in millions of dollars) Dollars may not add due to rounding. Percentages calculated on rounded numbers.					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 13 Actual Compared to FY 14 REC Estimate		
	FY 2013	FY 2014	Year to Date % Change	March % Change	Actual FY 2013	Estimate FY 2014	Projected % Change
Personal Income Tax	\$ 2,738.0	\$ 2,819.1	3.0%	21.5%	\$ 4,083.9	\$ 4,042.8	-1.0%
Sales/Use Tax	1,895.4	1,975.1	4.2%	8.0%	2,547.6	2,649.8	4.0%
Corporate Income Tax	362.5	380.8	5.0%	-6.3%	555.3	585.5	5.4%
Inheritance Tax	65.4	67.5	3.2%	9.8%	86.8	91.4	5.3%
Insurance Premium Tax	61.4	61.8	0.7%	-26.6%	104.9	105.3	0.4%
Cigarette Tax	50.8	0.0	-100.0%	-100.0%	102.7	0.0	-100.0%
Tobacco Tax	10.6	1.4	-86.8%	-100.0%	18.7	1.4	-92.5%
Beer Tax	10.9	10.5	-3.7%	-11.1%	14.5	14.5	0.0%
Franchise Tax	27.1	28.9	6.6%	-6.5%	42.9	46.6	8.6%
Miscellaneous Tax	0.8	0.7	0.0%	-50.0%	1.1	1.1	0.0%
Total Gross Taxes	\$ 5,222.9	\$ 5,345.9	2.4%	8.1%	\$ 7,558.4	\$ 7,538.4	-0.3%
Institutional Payments	10.1	9.7	-4.0%	11.1%	14.3	13.3	-7.0%
Liquor Profits	70.5	73.7	4.5%	76.1%	96.1	95.0	-1.1%
Interest	1.8	2.4	33.3%	-50.0%	2.6	3.5	34.6%
Fees	23.3	24.0	3.0%	6.9%	29.1	26.7	-8.2%
Judicial Revenue	73.1	69.3	-5.2%	1.1%	108.0	102.6	-5.0%
Miscellaneous Receipts	29.3	32.1	9.6%	13.3%	39.9	36.7	-8.0%
Racing and Gaming Receipts	40.0	0.0	-100.0%	0.0%	40.0	0.0	-100.0%
TOTAL GROSS RECEIPTS	\$ 5,470.9	\$ 5,557.2	1.6%	8.5%	\$ 7,888.4	\$ 7,816.2	-0.9%
Accrued Revenue-Net					13.1	41.6	
Tax Refunds *	-525.0	-646.6	23.2%	16.9%	-830.5	-956.0	15.1%
School Infrast. Refunds *	-317.6	-351.7	10.7%	11.8%	-419.2	-426.0	1.6%
TOTAL NET RECEIPTS	\$ 4,628.3	\$ 4,558.9	-1.5%	4.3%	\$ 6,651.8	\$ 6,475.8	-2.6%
* For FY 2013 and FY 2014 Year-to-Date columns, refunds are presented on a cash basis. For FY 2013 Actual and FY 2014 Estimate, refunds are presented on a fiscal year basis.							